

Message Text

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14

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 INR-10 NSAE-00

PA-04 RSC-01 USIA-15 PRS-01 SPC-03 COME-00 EB-11

LAB-06 SIL-01 PM-07 OMB-01 TRSE-00 DRC-01 L-03 /104 W

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R 210500Z DEC 73

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 7443

INFO AMEMBASSY CANBERRA

AMCONSUL MELBOURNE

CINCPAC

USMISSION OECD PARIS

LIMITED OFFICIAL USE WELLINGTON 3318

CINCPAC FOR POLAD

MELBOURNE FOR LABATT

EO 11652: N/A

TAGS: ECON, PINT, ELAB, NZ

SUBJ: GNZ ANNOUNCES NEW GUIDELINES FOR END OF
YEAR WAGE INCREASE

REF: WELLINGTON 2112(NOTAL)

1. GNZ DEC.20 ANNOUNCED REVISION WAGE STABIL-
ZATION REGULATIONS TO ALLOW GENERAL WAGE INCREASE
EFFECTIVE JAN. 1 AMOUNTING TO APPROX 2.7
PER CENT. ACTUAL INCREASE WILL BE AMOUNT COST OF
LIVING HAS RISEN IN LAST SIX MONTHS 1973 LESS TWO
PERCENT. UNDER REGULATIONS AS ORIGINALLY PROMUL-
GATED IN AUGUST INCREASE WOULD HAVE BEEN CALCULATED
ON COL INCREASE LESS FOUR PERCENT. ESTIMATES ARE
THAT COL WILL HAVE RISEN 4.7 PERCENT BETWEEN JULY 1
AND DEC.31. INCREASE WILL BE GIVEN TO ALL WORKERS
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COVERED BY INDUSTRIAL AGREEMENTS AND TO CIVIL

SERVICE. UNLIKE AUGUST WAGE ORDER, WHICH PUT DOLS 5.80 PER WEEK MAXIMUM ON AMOUNT ANY WAGE EARNER COULD RECEIVE, THERE IS NO CEILING INCLUDED IN PRESENT REVISION.

2. REVISION HAS DRAWN SHARP REACTION FROM EMPLOYERS AND MANUFACTURERS. MANUFACTURERS' FEDERATION PRESIDENT TERMED ACTION "INCREDIBLE" AND ACCUSED GNZ OF BREACH OF FAITH. CHAMBER OF COMMERCE SPOKESMAN SLIGHTLY LESS HARSH VIEWING "BACKTRACKING" AS PERHAPS BEING QUID PRO QUO TO PLACATE FOL WHICH WAS INCENSED BY RECENT RELAXATION OF PRICE STABILIZATION MEASURES EXEMPTING FROM CONTROL RETAILERS HAVING LESS THAN DOLS NZ 150,000 ANNUAL TURNOVER.

3. FEDERATION OF LABOR PRESIDENT SKINNER APPARENTLY REASONABLY HAPPY. ALTHOUGH EFFORT WILL BE MADE TO PAINT THIS AS SWEETHEART ARRANGEMENT BETWEEN LABOR GOVT. AND FOL, MORE SALIENT POINT IS THAT NECESSITY OF REDUCING AMOUNT OF COL INCREASE THAT WORKERS WOULD HAVE TO ABSORB SHOWS CONTINUED INABILITY OF GNZ TO WIN FOL SUPPORT IN A CRUNCH. FEELING OF NUMBER OF OBSERVERS (INCLUDING RESERVE BANK ECONOMIST) IS THAT GNZ, HAD IT HELD TO ORIGINAL FORMULA, WOULD HAVE FACED MAJOR PROBLEM OF INDUSTRIAL UNREST IN EARLY 1974. THIS OBVIOUSLY UNACCEPTABLE TO GNZ.

3. COMMENT - REVISION OF WAGE INCREASE FORMULA, COUPLED WITH ENERGY PROBLEM AND COMPLICATED PRICE

REGULATIONS, CAN ONLY INCREASE PESSIMISM OF BUSINESS AND INDUSTRY. PERHAPS MOST DISCONCERTING IS INDUSTRY REACTION CLEARLY INDICATING ITS LACK OF CONFIDENCE IN RELIABILITY GNZ IN CARRYING OUT ITS STATED POLICIES. WITH NEED FOR CLEAR GUIDELINES FOR FORWARD PLANNING IN FACE ENERGY AND SUPPLY PROBLEMS (LARGELY BEYOND THEIR CONTROL) BUSINESS PLANNERS NEED FIRM, STABLE GOVERNMENT POLICIES. THESE HAVE NOT BEEN FORTHCOMING. WOOD

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